Management's Discussion and Analysis

For the Three and Six-Month Periods Ended September 30, 2019

CHAMPION IRON

TSX: CIA - ASX: CIA

As at October 29, 2019

The following Management Discussion and Analysis ("MD&A") of Champion Iron Limited ("Champion" or the "Company") has been prepared as of October 29, 2019. This MD&A is intended to supplement the condensed interim consolidated financial statements ("Financial Statements") for the six-month period ended September 30, 2019 and related notes thereto, which have been prepared in accordance with IAS 34, Interim Financial Reporting, and it should be read in conjunction with the Company's annual financial statements and MD&A for the year ended March 31, 2019.

Management is responsible for the preparation and integrity of its Financial Statements, including the maintenance of appropriate information systems, procedures and internal controls. Management is also responsible for ensuring that information disclosed externally, including the Financial Statements and MD&A, is complete and reliable.

All dollar figures stated herein are expressed in Canadian dollars, except for: (i) tabular amounts which are in thousands of Canadian dollars; (ii) per share or per tonne amounts; or (iii) unless otherwise specified. Certain non-IFRS financial performance measures are included in this MD&A. The following abbreviations are used throughout this document: USD or US$ (United States dollar), CAD or CA$ (Canadian dollar), wmt (wet metric tonnes), dmt (dry metric tonnes), M (Million), km (kilometres) and m (metres).

The Financial Statements and other information pertaining to the Company are available on SEDAR at www.sedar.com and on its website at www.championiron.com.

This MD&A contains forward-looking statements. Particular attention should be given to the risk factors described in the "Risk Factors" section and to the "Cautionary Note Regarding Forward-Looking Statements" section of this document.

The utilization of the "Company" or "Champion", refers to Champion Iron Limited and/or one, or more, or all of its subsidiaries, as it may apply.

Non-IFRS Financial Performance Measures

Champion believes that these measures, in addition to conventional measures prepared in accordance with IFRS, provide investors an improved ability to evaluate the underlying performance of the Company. These measures are intended to provide additional information and should not be considered in isolation, or as a substitute for, measures of performance prepared in accordance with IFRS. These measures do not have any standardized meaning prescribed under IFRS, and therefore may not be comparable to other issuers. The non-IFRS financial performance measures included in this document are: earnings before interest, tax, depreciation and amortization ("EBITDA"), adjusted net income, adjusted earnings per share attributable to shareholders ("adjusted EPS"), total cash costs or C1 cash cost, all-in sustaining costs ("AISC"), average realized selling price and cash operating margin. For a detailed description of each of the non-IFRS measures used in this MD&A and a detailed reconciliation to the most directly comparable measure under International Financial Reporting Standards ("IFRS"), please refer to the "Non-IFRS Financial Performance Measures" section of this MD&A included in note 15.

1. Description of Business

Champion was incorporated under the laws of Australia in 2006 and is listed on the Toronto Stock Exchange (TSX: CIA) and Australian Securities Exchange (ASX: CIA). Champion is a high-grade iron ore producer with its flagship asset, the Bloom Lake iron ore mine ("Bloom Lake" or "Bloom Lake Mine"), a long-life, large-scale open pit operation located in northern Quebec, approximately 300 km north of Sept-Iles and 13 km by road from the town of Fermont. The Company declared commercial production at the Bloom Lake Mine as of June 30, 2018. As at September 30, 2019, Champion is the sole owner of its subsidiary, Quebec Iron Ore Inc. ("QIO"), further to the repurchase of Ressources Quebec's equity interest of 36.8% on August 16, 2019.

Through its wholly-owned subsidiary Champion Iron Mines Limited ("CIML"), the Company owns interests in 9 properties (each a "Property"), covering approximately 752 square kilometres (collectively, the "Fermont Holdings") located in the Fermont Iron Ore District of northeastern Quebec. The Company also owns 100% of the Gullbridge-Powderhorn property located in Northern Central Newfoundland.

The Company's near-term strategy is to continue with operational improvements at the Bloom Lake Mine while applying cost and capital discipline. With the Bloom Lake Mine now generating positive cash flow from operations, the Company is in a position to focus on strengthening its financial position and pursuing growth opportunities.

2. Financial and Operating Highlights[1]

	Three Months Ended September 30,		Six Months Ended September 30,	
	2019	2018	**2019**	2018
Iron ore concentrate produced (wmt)	**2,189,700**	1,858,300	**4,179,100**	3,401,200
Iron ore concentrate sold (dmt)	**1,860,400**	1,931,700	**3,767,100**	3,672,100
Financial Data (in thousands of dollars, except per share amounts)				
Revenue	**160,370**	174,678	**438,284**	325,419
Gross profit	**65,756**	83,329	**236,449**	133,877
EBITDA[2]	**62,575**	81,321	**229,511**	126,263
EBITDA margin[2]	**39%**	47%	**52%**	39%
Net income	**(1,726)**	67,497	**72,515**	88,245
Adjusted net income[2]	**49,915**	67,497	**124,156**	88,245
Net income attributable to shareholders	**2,140**	41,536	**40,891**	52,554
Basic earnings per share attributable to shareholders	**0.00**	0.10	**0.09**	0.13
Adjusted earnings per share attributable to shareholders[2]	**0.11**	0.10	**0.20**	0.13
Cash flow from operations	**104,923**	2,881	**196,844**	49,606
Cash and cash equivalent	**193,753**	135,424	**193,753**	135,424
Short-term investments	**17,291**	17,907	**17,291**	17,907
Total assets	**773,157**	672,017	**773,157**	672,017
Statistics (in dollars per dmt sold)				
Average realized selling price[2]	**86.2**	90.4	**116.3**	88.6
Total cash cost[2] (C1 cash cost)	**48.3**	45.2	**51.4**	49.8
All-in sustaining cost[2]	**66.2**	52.9	**64.5**	56.1
Cash operating margin[2]	**20.0**	37.5	**51.8**	32.5
Statistics (in US dollars per dmt sold)				
Average realized selling price[2]	**65.1**	68.4	**87.6**	69.2
Total cash cost[2] (C1 cash cost)	**36.6**	34.6	**38.7**	38.3
All-in sustaining cost[2]	**50.1**	40.5	**48.5**	43.2
Cash operating margin[2]	**15.0**	27.9	**39.1**	26.0

1 The Company considers that pre-commercial production operations at the Bloom Lake Mine commenced on April 1, 2018 with the first shipment of high-grade iron ore concentrate and that commercial production began on June 30, 2018.

2 EBITDA, average realized selling price, total cash cost or CI cash cost, AISC, cash operating margin, adjusted net income and adjusted earnings per share are non-IFRS financial performance measures with no standard definition under IFRS. See the "Non-IFRS Financial Performance Measures" section of this MD&A included in note 15. Adjusted net income and adjusted earnings per share attributable to shareholders excluding the financial costs related to refinancing closed on August 16, 2019.

3. Quarterly and Year-to-Date Highlights

Financial

- Revenues of $160.4M for the second quarter and $438.3 for the six-month period ended September 30, 2019, compared to $174.7 and $325.4M during the same period of the prior year;
- EBITDA[1] totalling $62.6M or 39% EBITDA margin and $229.5M or 52% EBITDA margin for three and six-month periods, respectively compared to $81.3M and $126.3M in the same period the prior year;
- Net loss of $1.7M (earnings per share of $0.00) for the quarter and net income of $72.5M (earnings per share of $0.09) for the six-month period ended September 30, 2019, compared to net income of $67.5M (earnings per share of $0.10) and net income of $88.2M (earnings per share of $0.13) during the same period of last year;
- Adjusted net income[1] of $50M for the second quarter and $0.11 of adjusted earning per share[1], excluding non-cash refinancing costs;
- Record net cash flow from operations totalling $104.9M for the quarter and $196.8M for the six-month period ended September 30, 2019;
- Record operating cash flow per share of $0.24 for the quarter and $0.45 for the six-month period ended September 30, 2019; and
- Cash on hand[2] of $211.0M on September 30, 2019, compared to $153.3M on March 31, 2019.

Operations

- Record quarterly production of 2,189,700 wmt of high-grade 66.3% Fe iron ore concentrate, compared to 1,858,300 wmt in the same period of the prior year;
- Record recovery rate achieved during the quarter of 83.9% compared to 79.5% in the same period last year; and
- Total cash cost[1] of $48.3/dmt (US$36.6/dmt) (C1) and an AISC[1] of $66.2/dmt during the second quarter, compared to $45.2/dmt (US $34.6/dmt) and $52.9/dmt, respectively, in the same period of the prior year.

Growth

- Successfully completed the previously announced agreement with CDP Investissements Inc., a subsidiary of Caisse de dépôt et placement du Québec ("CDPI"), for a preferred share offering of C$185M in addition to a US$200M credit facility (the "Loan Facility") with The Bank of Nova Scotia ("Scotiabank") and Société Générale;
- Completion of the previously announced transaction (the "Transaction") with the government of Québec, through its agent Ressources Québec Inc. ("RQ"), to acquire RQ's 36.8% equity interest in QIO for a total cash consideration of C$211M. Further to the closing of the Transaction, there no longer exists a non-controlling interest in QIO; and
- Previously approved work program of $68M on Phase II to secure the timetable detailed by the Feasibility Study progressing as planned.

1 EBITDA, average realized selling price, total cash cost or CI cash cost, AISC, cash operating margin, adjusted net income and adjusted earnings per share are non-IFRS financial performance measures with no standard definition under IFRS. See the "Non-IFRS Financial Performance Measures" section of this MD&A included in note 15. Adjusted net income and adjusted earnings per share attributable to shareholders excluding the financial costs related to refinancing closed on August 16, 2019.

2 Cash on hand includes cash and cash equivalents and short-term investments.

4. Bloom Lake Phase II Update

On June 20, 2019, Champion announced the feasibility study (the "Feasibility Study") prepared pursuant to National Instrument 43-101 - Standards of Disclosure for Mineral Projects (“NI 43-101”) (see press release dated June 20, 2019 available under the Company’s filings on SEDAR at www.sedar.com and on the Company's website at www.championiron.com) that includes proven and probable mineral reserve estimates of 807 million tonnes at an average grade of 29.0% Fe. The Phase II project aims to double Bloom Lake production to 15 Mtpa of 66.2% Fe iron ore concentrate by completing the construction of the second plant which was partially completed by the mine's former owner. Based on the new optimized mine plan, the Bloom Lake mining rate would also be increased to accelerate the supply of ore to the expanded facilities, while maintaining a Life of Mine ("LoM") of 20 years.

The Feasibility Study proposes a 21-month construction period with estimated capital expenditures of $633.4M, including $44M in deposits. Project economics, based on US$83.9/t IODEX 65% Fe CFR China Index ("P65" or "Platts 65") iron price CFR China, indicate an after-tax 8% net present value ("NPV") of $2,384 million, combining Phase I & II, and an after-tax internal rate of return ("IRR") of 33.4%. During the LoM, total cash costs[1] are projected to be $46.6/t with an average all-in sustaining cost[1] of $52.3/t.

The Company’s board of directors has approved an initial budget of $68 million to fund and advance the Phase II expansion project during 2019, which is expected to secure the timetable detailed in the Feasibility Study. During the second quarter, $16.3M was spent on the project totaling $18.6M to date and the following milestones have been achieved:

- Civil works related to silo and outside conveyors foundations progressed as planned;
- Electrical and mechanical works inside the plant to secure winter works progressed as planned and expected to be completed timely;
- Engineering progressed on schedule as of September 30, 2019; and
- Ordered long lead items such as spirals.

[1] EBITDA, average realized selling price, total cash cost or CI cash cost, AISC, cash operating margin, adjusted net income and adjusted earnings per share are non-IFRS financial performance measures with no standard definition under IFRS. See the “Non-IFRS Financial Performance Measures” section of this MD&A included in note 15. Adjusted net income and adjusted earnings per share attributable to shareholders excluding the financial costs related to refinancing closed on August 16, 2019.

5. Key Drivers

A. Iron Ore Concentrate Price

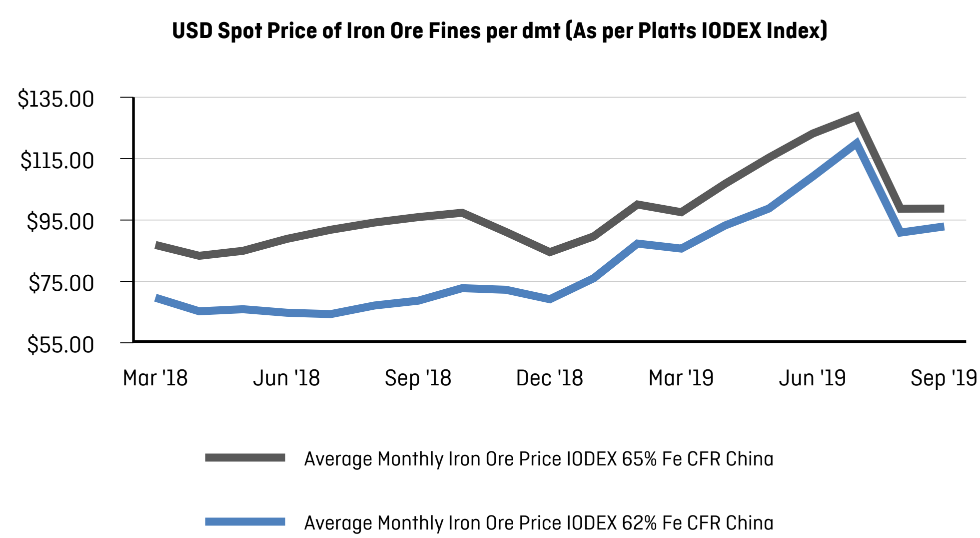
The price of iron ore concentrate is the most significant factor determining the Company's financial results. As such, cash flow from operations and the Company's development may, in the future, be significantly adversely affected by a decline in the price of iron ore. The iron ore concentrate price fluctuates on a daily basis and is affected by a number of industry and macroeconomic factors beyond the control of the Company.

Due to the high-quality nature of its 66.3% iron ore concentrate, the Company's iron ore sales attract a premium over the IODEX 62% Fe CFR China Index ("P62") widely used as the reference price in the industry. The premium captured by the P65 is attributable to two main factors; steel mills recognizing that higher iron ore grades offer a benefit to optimize output while significantly decreasing CO2 emissions. However, during the second quarter of FY2020 ended September 30, 2019, the global steel market experienced pressure resulting from uncertainties related to US/China commercial tension, the Brexit process and to the Asian market growth slowdown contributing to lower profit margin with steel manufacturers. In order to manage profit margins, steel manufacturers can elect to change raw material input for lower quality material at the expense of higher emissions and loss of optimization in the steel making. The change in product mix utilized by steel mills contributed to a lower premium during the quarter.

During the three-month period ended September 30, 2019, the price of high-grade iron ore based on the Platts 65 index fluctuated from a low of US$89.0/dmt to a high of US$135.9/dmt. The average P65 iron ore price was US$109.5/dmt for the period, a decrease of 5% from the previous quarter resulting in a premium of 7.4% over the P62 reference price. The Company's gross realized price for the quarter was US$106.2/dmt before adjustment related to pro-forma sales and before ocean freight. Taking into account pro-forma sales adjustments and deducting sea freight cost, the Company's net realized FOB price was CA$86.2/dmt. Champion is well positioned to benefit from higher iron ore prices as it has no hedging contracts in place, and it is not subject to royalties. Assuming a stable foreign exchange rate, a variation of US$1.00 to the P65 price will impact Champion's gross revenues by approximately 1%.

During the six-month period ended September 30, 2019, the price of high-grade iron ore based on the Platts 65 index fluctuated from a low of US $89.0/dmt to a high of US$135.9/dmt. The average iron ore P65 price was US$112.1/dmt for the period, an increase of 25% from the previous year resulting in a premium of 11.0% over the P62 reference price. The Company's gross realized price year-to-date was US$112.8/dmt before ocean freight and provisional sales adjustment. Taking into account the latter and deducting sea freight cost, the Company's net realized FOB price was CA$116.3/dmt compared to CA$88.6/dmt for the same period of the prior year.

Approximately 80% of Champion's iron ore sales contracts are structured on a provisional pricing basis, with the final sales price determined using the iron ore price indices on or after the vessel's arrival to the port at discharge. The estimated consideration in relation to the provisionally priced contracts is marked to market using the P62 forward iron ore price at the end of each reporting period subject to estimated P65 premium over the P62. The impact of the iron ore price movements is accounted as provisional pricing adjustments to revenue. As at September 30, 2019, Champion had 0.9 million tonnes of iron ore sales that remained subject to provisional pricing, with the final price to be determined in the following reporting periods.



5. Key Drivers (continued)

B. Sea Freight

Sea freight is an important component of the Company's cost structure as Champion ships most of its concentrate to China and Japan. The common reference route for dry bulk material from the Americas to Asia is the Brazil to China route which encompasses 11,000 miles. The freight cost per tonne associated with this route is captured in the C3 Baltic Capesize Index ("C3") which is considered the reference ocean freight cost for iron ore shipped from the Americas to Asia. There is no index for the route between the port of Sept-Iles, Canada and China. The route from Sept-Iles to China totals approximately 14,000 miles and is subject to different weather conditions during the winter season, therefore the freight cost per tonne associated with this voyage is generally higher than the C3 price.

USD Sea Freight Cost per wmt – C3 Baltic Capesize Index (Brazil to China)

In the past five years, the industry has identified a relationship between the iron ore price and the cost of freight for the Brazil to China route captured in the C3 rate. Based on this observed correlation, when the price of iron ore fluctuates, the ocean freight rate fluctuates as well. As the freight cost for the ocean transport between Sept-Iles and China is largely influenced by the C3 cost, a decrease in iron ore prices should result in a lower ocean freight costs for Champion Iron.

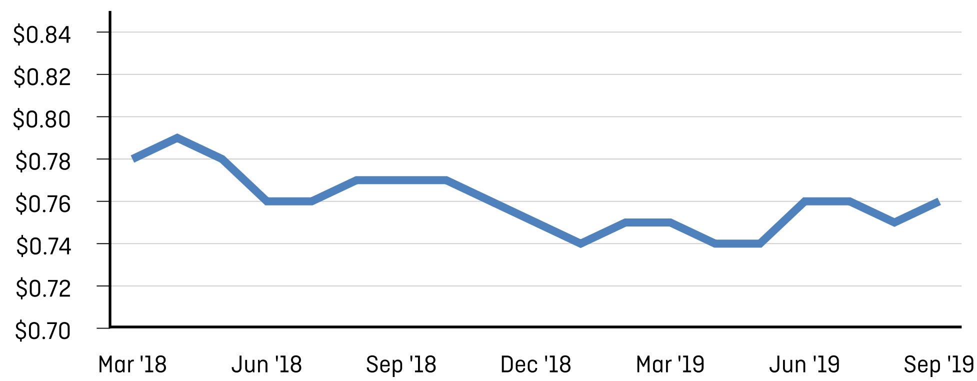
Earlier events in the year in Brazil changed this dynamic as the second largest producer of iron ore globally, Vale, encountered production curtailment following the tragic events in January 2019 with the Brumadinho dam rupture. These events impacted global iron prices positively, while reduced demand for vessels from one of the largest global bulk shippers reduced freight rates. In late June 2019, the Superior Court of Justice of Brazil cleared Vale to resume operations at the Brucutu mining complex, one of the largest operations impacted by the dam rupture. The resumption of operations at Brucutu increased the amount of iron ore shipped out of Brazil and iron ore prices remain elevated, as several vessels were out of service for maintenance, the additional tonnes in the market contributed to an increase in the C3 route index compared to the historical relationship with iron ore prices. The C3 freight rate has now corrected to levels closer to the historical relationship with iron ore prices.

5. Key Drivers (continued)

C. Currency

The Canadian dollar is the Company's reporting and functional currency. Consequently, the Company's operating results and cash flows are influenced by changes in the exchange rate for the Canadian dollar against the U.S. dollar. The Company's sales, sea freight and credit facilities' costs are denominated in U.S. dollars. As such, the Company benefits from a natural hedge between its revenues and its sea freight and credit facilities' costs. Despite such a natural hedge, the Company is exposed to foreign currency fluctuations as its mining operating expenses are mainly incurred in Canadian dollars. Currently, the Company has no hedging contracts in place and therefore has exposure to foreign exchange rate fluctuations. The strengthening of the U.S. dollar would positively impact the Company's net income and cash flow while the strengthening of the Canadian dollar would reduce its operating margin and cash flow. Assuming a stable selling price, a variation of CA$0.01 against the U.S. dollar will impact Champion gross revenues by approximately 1%.

Monthly Exchange Rate – USD to CAD



Apart from these key drivers and the risk factors noted in the headings "Risk factors", management is not aware of any other trends, commitments, events or uncertainties that would have a material effect on the Company's business, financial condition or results of operations.

6. Bloom Lake Mine Operating Activities[1]

	Three Months Ended September 30,		Six Months Ended September 30,	
	2019	2018	**2019**	2018
Operating Data				
Waste mined (wmt)	**3,572,200**	2,978,400	**7,153,100**	6,351,300
Ore mined (wmt)	**5,393,900**	5,204,900	**10,499,000**	9,852,800
Strip ratio	**0.7**	0.6	**0.7**	0.6
Ore milled (wmt)	**5,450,800**	4,964,200	**10,230,800**	9,208,200
Head grade Fe (%)	**32.3**	32.0	**32.4**	31.6
Recovery (%)	**83.9**	79.5	**83.1**	78.4
Product Fe (%)	**66.3**	66.6	**66.3**	66.5
Iron ore concentrate produced (wmt)	**2,189,700**	1,858,300	**4,179,100**	3,401,200
Iron ore concentrate sold (dmt)	**1,860,400**	1,931,700	**3,767,100**	3,672,100
Financial Data (in thousands of dollars)				
Revenues	**160,370**	174,678	**438,284**	325,419
Cost of sales	**89,921**	87,265	**193,528**	183,033
Other expenses	**7,874**	6,092	**15,245**	16,123
Net finance cost	**46,433**	7,106	**75,485**	21,345
Net income (loss)	**(1,726)**	67,497	**72,515**	88,245
EBITDA[2]	**62,575**	81,321	**229,511**	126,263
Statistics (in dollars per dmt sold)				
Average realized selling price[2]	**86.2**	90.4	**116.3**	88.6
Total cash cost (C1 cash cost)[2]	**48.3**	45.2	**51.4**	49.8
All-in sustaining cost[2]	**66.2**	52.9	**64.5**	56.1
Cash operating margin[2]	**20.0**	37.5	**51.8**	32.5

Operational Performance

During the three-month period ended September 30, 2019, 9.0 million tonnes of material was mined, representing an increase of 10% compared to the same quarter of the prior year. This increase was enabled by higher mining equipment availability and a higher utilization rate, attributable to the Company's progress with its mining equipment rebuilding program. The mining operations continuous improvement plan reduced the trucking cycle time which contributed positively to volume mined.

The plant processed 5,450,800 tonnes of ore during the second quarter compared to 4,964,200 tonnes in the comparable prior year period. The 10% increase relates to the higher average hourly mill throughput and the higher iron recovery, further to the implementation of operational innovations in the previous quarter, designed to increase plant capacity, reliability and performance.

The Company achieved an average recovery rate of 83.9% during the second quarter, compared to 79.5% in the same period of the prior year. The improvement relates to the continuous optimization of the recovery circuit, in addition to preventive works completed earlier this year, which produced a more stable recovery rate, fluctuating from 83.5% to 84.4% during the quarter. The quarterly recovery rate achieved during the period set a new historical record for Bloom Lake which was first commissioned in 2010.

Based on the foregoing, Bloom Lake produced 2,189,700 wmt of 66.3% Fe high-grade iron ore concentrate during the three-month period ended September 30, 2019, compared to 1,858,300 wmt in the same period of the prior year, representing an 18% increase.

1 The Company considers that pre-commercial production operations at the Bloom Lake mine commenced on April 1, 2018 with the first shipment of high-grade iron ore concentrate and that commercial production began on June 30, 2018.

2 EBITDA, average realized selling price, total cash cost or CI cash cost, AISC, cash operating margin, adjusted net income and adjusted earnings per share are non-IFRS financial performance measures with no standard definition under IFRS. See the "Non-IFRS Financial Performance Measures" section of this MD&A included in note 15. Adjusted net income and adjusted earnings per share attributable to shareholders excluding the financial costs related to refinancing closed on August 16, 2019.

6. Bloom Lake Mine Operating Activities (continued)

Operational Performance (continued)

In addition to the new hourly mill throughput and recovery rate records achieved during the quarter, the Bloom Lake product quality specifications continue to meet or exceed benchmarks and significantly, to date, the Company has not been assessed any penalties in connection with product quality.

The Company mined 17,652,100 tonnes of material during the six months ended September 30, 2019, compared to 16,204,100 tonnes in the same period in the prior year. The increase is attributable to the improvement in mining equipment reliability and increased productivity resulting from the rebuilding program.

The plant processed 10,230,800 tonnes of ore during the six months ended September 30, 2019. During the first half of the current fiscal year, the recovery circuit continues to be optimized, whereby the Company achieved a 79.4% recovery rate at the beginning of the year compared to a recovery rate of 83.9% for the quarter ended September 30, 2019. Overall, year-to-date, the Company has achieved an average recovery rate of 83.1%. The Bloom Lake plant has demonstrated that the current recovery rate is a sustainable rate that can be maintained or possibly increased over the long-term.

Based on the foregoing, Bloom Lake produced a total of 4,179,100 wmt of Fe 66.3% as at September 30, 2019. These results established a new bi-annual production record for the Bloom Lake Mine.

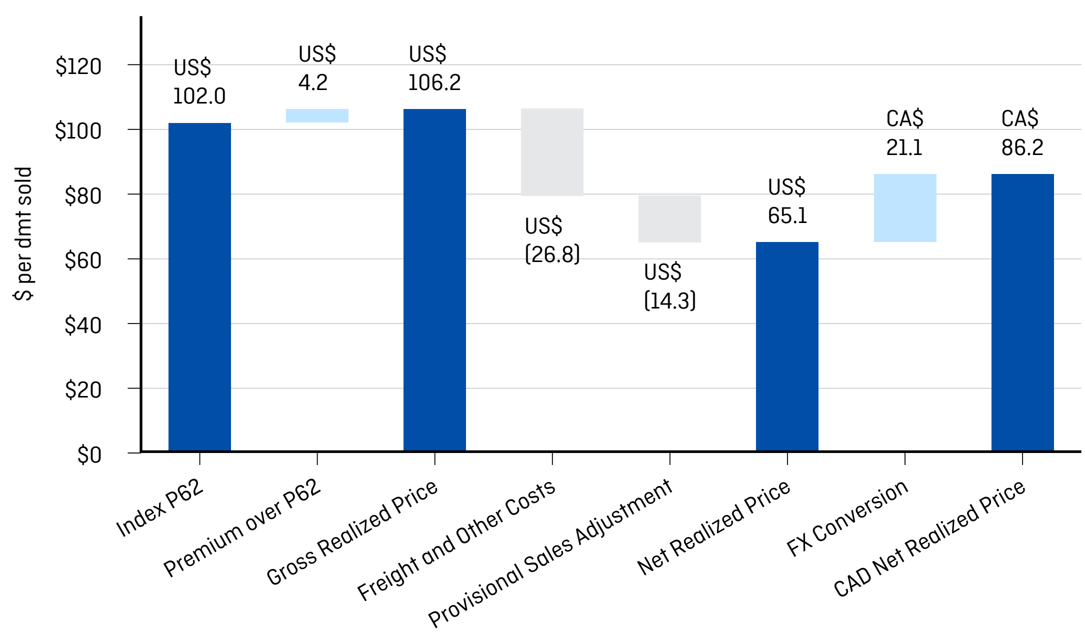
7. Financial Performance

A. Revenues

During the three-month period ended September 30, 2019, a total of 1,860,400 tonnes of high-grade iron ore concentrate were sold at a CFR China gross realized price of US$106.2/dmt before provisional sales adjustments and shipping costs. The gross sales price of US$106.2/dmt represents a premium of 4% over the benchmark P62 price compared to a premium of 17% in the previous quarter, primarily attributable to pressures on the global steel market. During the quarter, a final price was established for 1.0 million tonnes which were in transit at the end of FY2020 Q1 and subject to provisional price adjustments. As the iron ore price was under pressure during this quarter and as the premium between the P62 and the P65 decreased by 50%, a price adjustment of US$14.3/dmt was recorded for these shipments. Sales on the spot market were also initiated. Deducting sea freight costs of US$26.8/dmt together with the provisional sales adjustment of US$14.3, the Company obtained an average net realized price of US$65.1 per tonne (CA$86.2 per tonne) for its high-grade iron ore delivered to the end customer, benefiting from an average foreign exchange rate of CA$1.33 / US$. As a result, revenues totalled $160,370,000 for the period compared to $174,678,000 in the same prior year period. The provisional sales adjustments included in sales were recorded at $(34,700,000) compared to $5,500,000 in the same prior year period.

For the six-month period ended September 30, 2019, the Company sold over 3,767,100 tonnes of iron ore concentrate shipped to end-user customers located in China, Europe, Japan and the Middle East, which was shipped in 22 Capesize vessels. While the P65 indicative price of high-grade iron ore fluctuated between US$89.0/dmt and US$135.9/dmt during the quarter ended September 30, 2019, the Company sold its product at an average gross realized price of US$112.8/dmt, before shipping and adjustments related to provisional sales. The gross sales price of US$112.8/dmt represents a premium of 10% over the benchmark P62 price. Deducting sea freight costs of US$23.1/dmt and the negative provisional sales adjustment of US$2.1, the Company obtained an average realized price of US$87.6 per tonne (CA$116.3 per tonne) for its high-grade iron ore delivered to the end-user customer. As a result, revenues totalled $438,284,000 year-to-date, compared to $325,419,000 for the same period of the prior year. The sales increase is mainly attributable to the volume and selling price. The provisional sales adjustments included in sales were recorded at $(10,300,000) compared to $5,500,000 in the same prior year period.

Q2 FY2020 Net Realized Selling Price from P62 to Average Realized Price



7. Financial Performance (continued)

	Three Months Ended September 30,		Six Months Ended September 30,	
	2019	2018	**2019**	2018
(in U.S. dollars per dmt sold)				
Index P62	**102.0**	66.7	**101.1**	66.0
Premium over P62	**4.2**	27.1	**11.7**	26.1
Gross realized price	**106.2**	93.8	**112.8**	92.1
Freight and other costs	**(26.8)**	(27.6)	**(23.1)**	(24.0)
Adjustments on provisional sales	**(14.3)**	2.2	**(2.1)**	1.1
Net realized FOB price	**65.1**	68.4	**87.6**	69.2
CAD Net Realized FOB Price	**86.2**	90.4	**116.3**	88.6

B. Cost of Sales

Cost of sales represent mining, processing, and mine site-related general and administrative expenses.

During the three-month period ended September 30, 2019, the total cash cost[1] or C1 cash cost[1] per tonne totalled $48.3/dmt, compared to $45.2/dmt in the same period of the previous year. The C1 cash-cost[1] of the period reflects the impact of higher costs from port operations, the indexation of the railway transportation contracts and the costs attributable to additional manpower as the Company supplemented its workforce during the year.

For the six-month period ended September 30, 2019, the Company produced high-grade iron ore at a total cash cost[1] of $51.4/dmt compared to $49.8/dmt in the previous year. The C1 cash cost[1] reflects, in addition to the factors identified for the quarter, the impacts of the major shutdown performed earlier this year during which additional works were completed in order to increase the plant reliability and recovery rate.

C. Gross Profit

The gross profit for the three-month period ended September 30, 2019 totalled $65,756,000 compared to $83,329,000 for the same period of the prior year. A higher gross realized price during the period of US$12.4/dmt was offset by an adjustment on provisional sales of US$14.3/dmt, impacting the gross sales by approximately US$ 4,000,000. Higher freight costs and lower volumes contributed to the remaining variation.

The gross profit for the six-month period ended September 30, 2019 totalled $236,449,000, compared to $133,877,000 for the same prior year period. The increase is largely driven by the 31% increase in the realized price together with higher plant reliability and the effectiveness of preventive works completed during the scheduled major shutdowns. Year-to-date, the Company is benefiting from a 45% cash profit margin per tonne.

D. Other Expenses

Other expenses comprise share-based payments, corporate expenses ("G&A expenses"), as well as sustainability and other community expenses ("CSR expenses"). CSR expenses are composed mainly of community taxes such as property and school taxes and expenditures related to the Impact and Benefits Agreement with the First Nations ("IBA").

The variation of the other expenses and income for the three-month period ended September 30, 2019, compared to the same period the previous year, is essentially due to the completion of the transition from a development cost structure to an operating organization.

The variation of the other expenses and income for the six-month period ended September 30, 2019, compared to the same period the previous year, is essentially due to restart costs incurred in the first quarter of the prior year, as well as Champion's transition from a development stage company to an iron ore producer. The increase in share-based payments reflects the higher stock price period over period, combined with the issuance of annual equity awards in relation to the performance achieved during the last fiscal year ended March 31, 2019.

[1] EBITDA, average realized selling price, total cash cost or Cl cash cost, AISC, cash operating margin, adjusted net income and adjusted earnings per share are non-IFRS financial performance measures with no standard definition under IFRS. See the "Non-IFRS Financial Performance Measures" section of this MD&A included in note 15. Adjusted net income and adjusted earnings per share attributable to shareholders excluding the financial costs related to refinancing closed on August 16, 2019.

7. Financial Performance (continued)

E. Net Finance Costs

Net finance costs totalled $46,433,000 for the three-month period ended September 30, 2019 compared to $7,106,000 for the same period in the prior year. The increase is mainly attributable to the impact of the refinancing closed on August 16, 2019, representing $57.3 million offset by the revaluation of warrants related to the $19.5 million Glencore debenture. Of the $57.3 million, $53.5 million is related to non-cash items including the write-off of capitalized past transactions fees, the write-off of derivative financial instruments and the write-off of the unamortized book value of the previous financing facilities. The unamortized book value of the previous debt reflected the deduction of derivative financial instruments that were reclassified in either derivative liability or equity. Therefore, the debt book value was lower than the face value.

The change in the fair value of the derivative liability is associated with the variation of the Company's ordinary share price, which decreased by 26.6% during the period, and is a non-cash item. This derivative liability is now recorded as an equity item following the refinancing.

The Company reports in Canadian dollars and benefits from a natural hedge between its revenues generated in U.S. dollars and its U.S. denominated term facilities. Consequently, the unrealized foreign exchange loss included in net finance costs represents a non-cash expenditure associated with the conversion of the term facilities in Canadian dollars. The Company maintains sufficient U.S. dollars on hand to prevent foreign exchange loss upon interest or capital payments. Unrealized loss on investments and accretion costs are non-cash items.

The increase in net finance costs for the six-month period ended September 30, 2019, when compared to the same period the year prior, is mainly due to the same factors identified in the previous section.

F. Income Taxes

The Company's subsidiaries are subject to tax in Australia and Canada. As a result of accumulated losses before tax, there are no current or deferred income taxes related to the Australian activities. QIO, Champion's operating subsidiary, is subject to a Quebec mining tax at a progressive rate ranging from 16% to 28% depending on the mining profit margin as defined by tax regulations. The mining profit margin represents the mining profit divided by revenues and is taxable based on three segments as follow:

Mining profit margin range	Tax rate
Mining profit between 0% to 35%	**16%**
Incremental mining profit over 35%, up to 50%	**22%**
Incremental mining profit over 50%	**28%**

In addition, QIO is subject to an income tax in Canada where the statutory rate is 26.68%.

During the three and six-month periods ended September 30, 2019, current income and mining taxes amounted to $14,624,000 and $67,986,000 respectively compared to $11,974,000 and $17,504,000 respectively for the same periods of the prior year. The higher mining and income taxes, period over period, are due to higher taxable profit as the Company has no more tax losses available.

During the three and six-month periods ended September 30, 2019, deferred income and mining taxes amounted to a recovery of $1,449,000 and an expense of $5,218,000 respectively, compared to expenses of $9,340,000 and $9,340,000 respectively, for the same periods of the prior year. The recovery during the quarter is associated with the early debt repayment. The deferred expenses for the six-month period is related to the accelerated depreciation permitted under tax rules.

G. Net Income (Loss) & EBITDA[1]

For the three-month period ended September 30, 2019, the Company generated net loss of $1,726,000, with the net income attributable to Champion shareholders for the period totalling $2,139,661, representing earnings per share of $0.00. The non-controlling interest ("NCI") has been calculated until acquisition closing date of August 16, 2019. The variation period over period is mainly due to the non-cash financing costs resulting from the early payments of Sprott Private Resource Lending (Collector) LP ("Sprott") and CDPI credit facilities. In the comparative period of last year, a net income of $67,497,000, representing earnings per share of $0.10 per share was realized.

[1] EBITDA, average realized selling price, total cash cost or CI cash cost, AISC, cash operating margin, adjusted net income and adjusted earnings per share are non-IFRS financial performance measures with no standard definition under IFRS. See the "Non-IFRS Financial Performance Measures" section of this MD&A included in note 15. Adjusted net income and adjusted earnings per share attributable to shareholders excluding the financial costs related to refinancing closed on August 16, 2019.

7. Financial Performance (continued)

G. Net Income (Loss) & EBITDA[1] (continued)

As previously mentioned, the refinancing of the Sprott and CDPI credit facilities resulted in non-cash financing costs associated with derivative instruments that were embedded in the original facilities. Excluding the non-recurring non-cash transactions, the Company would have generated an adjusted net income[1] of $49,915,000 and an adjusted EPS[1] of $0.11 for the second quarter. Similarly, the net income for the six-month period that ended September 30, 2019 that is at $72,515,000 would have been at $124,156,000. Accordingly, the EPS would have been adjusted to $0.20.

During the second quarter ended September 30, 2019, the Company generated an EBITDA[1] of $62,575,000 or an EBITDA[1] margin of 39% compared to an EBITDA[1] of $81,321,000 or an EBITDA[1] margin of 47% in the same period of the prior year.

For the six-month period ended September 30, 2019, the Company generated a net income of $72,515,000 translating to earnings per share of $0.09. A net income of $88,245,000 or $0.13 per share was realized in the six-month period ended September 30, 2018. By excluding the non-cash impact of the refinancing, the net income for the first six months of the year would have been at $124,156,000 or $0.20 per share.

For the six-month period ended September 30, 2019, the Company generated an EBITDA[1] of $229,511,000 or an EBITDA[1] margin of 52% compared to an EBITDA[1] of $126,263,000 or an EBITDA[1] margin of 39% in the same period of the prior year. This increase is mainly attributable to the increase in realized price.

H. All-In Sustaining Cost[1] and Cash Operating Margin[1]

The Company believes that the AISC[1] and cash operating margin[1] are measures reflecting the costs associated with producing iron ore and assessing the Company's ability to operate without reliance on additional borrowing or usage of existing cash. The Company defines AISC[1] as the total costs associated with producing iron ore concentrate. The Company's AISC[1] represents the sum of cost of sales, corporate expenditures and sustaining capital expenditures, including stripping activities, all divided by the iron ore concentrate per dmt sold to arrive at a per dmt figure.

During the three-month period ended September 30, 2019, the Company realized an AISC[1] of $66.2/dmt compared to $52.9/dmt in the same period last year. The variation period over period is due to three main factors. The Company made the prudent decision to accelerate tailings containment dam rising construction work in order to ensure safe tailings deposition. It should be noted that since the works related to the dikes project are mainly of a civil nature, a large part of the program was completed during the summer months resulting in a higher sustaining capital expense during the current quarter. Additionally, the Company made additional investments in the mining equipment rebuilding program, required to increase mining equipment fleet availability. As well, the Company finalized its conversion from a development stage company to an iron ore producer. The conservative decision made by the Company to bring forward the tailings investment does not modify the total amount that would have been invested on the tailings facility over the next few years, only the timing of the expenditures.

Deducting the AISC[1] of $66.2/dmt from the realized average selling price[1] of $86.2/dmt, the Company generated a cash operating margin[1] of $20.0 for each tonne of high-grade iron ore concentrates sold during the second quarter ended September 30, 2019 compared to $37.5/dmt in the same period of the last year. In addition to investments being made earlier than planned, the realized selling price decrease of 5% has also contributed to the decrease.

For the six-month period ended September 30, 2019, the Company realized an AISC[1] of $64.5/dmt compared to $56.1/dmt in the same period of last year. Despite a higher AISC, the cash operating margin[1] was at $51.8/dmt compared to $32.5/dmt in the same period of the previous year, reflecting the ability to adjust necessary investments to take advantage of the market fluctuations.

I. Non-Controlling Interest

Following the close of the acquisition of RQ's 36.8% interest in QIO, Champion's NCI does not exist anymore. The net income attributable to the NCI was based on the financial results of QIO. The NCI attributed to the minority interest during the period was calculated up to the closing date of the acquisition on August 16, 2019.

[1] EBITDA, average realized selling price, total cash cost or CI cash cost, AISC, cash operating margin, adjusted net income and adjusted earnings per share are non-IFRS financial performance measures with no standard definition under IFRS. See the "Non-IFRS Financial Performance Measures" section of this MD&A included in note 15. Adjusted net income and adjusted earnings per share attributable to shareholders excluding the financial costs related to refinancing closed on August 16, 2019.

8. Exploration Activities

During the three-month and the six-month period ended September 30, 2019, the Company conducted a minor drilling campaign at its Bloom Lake property to improve ore characterization and a geophysical survey on the Roach Hill property.

During the six-month period ended September 30, 2019, the Company maintained all its properties in good standing. The Company did not enter into farm-in/farm-out arrangements during the quarter.

9. Cash Flows

The following table summarizes cash flow activities:

	Three Months Ended September 30,		**Six Months Ended September 30,**	
	2019	2018	**2019**	2018
(in thousands of dollars)				
Operations	**25,624**	67,816	**127,009**	108,799
Changes in non-cash working capital	**79,299**	(64,935)	**69,835**	(59,193)
Operating activities	**104,923**	2,881	**196,844**	49,606
Financing activities	**(54,724)**	41,415	**(59,378)**	69,463
Investing activities	**(52,068)**	(18,550)	**(78,536)**	(28,807)
Change in cash and cash equivalents during the period	**(1,869)**	25,746	**58,930**	90,262
Effect of foreign exchange rates on cash	**2,646**	441	**(601)**	(291)
Cash and cash equivalents, beginning of period	**192,976**	71,679	**135,424**	7,895
Cash and cash equivalents, end of period	**193,753**	97,866	**193,753**	97,866
Operating cash flow per share	**0.24**	0.01	**0.45**	0.12

Operating

During the three-month period ended September 30, 2019, the Company generated operating cash flows of $25,624,000 before working capital compared to $67,816,000 in the same period of the last year. The decrease results from an EBITDA[1] margin of 39.0% for each dry metric tonne of high-grade concentrate sold compared to an EBITDA[1] margin of 47% for the same period of the last year. Decrease over the comparable period is attributable to lower operating profits as the Company realized lower selling prices affected by provisional pricing adjustment and slightly lower volumes sold as the company was impacted by a more volatile demand from the market.

Changes in working capital were mainly impacted by the timing of customer receipts, the timing of supplier payments and change in inventories value as well as by the income and mining taxes payable that were lower due to lower taxable profit. The operating cash flow per share for the three-month period ending September 30,2019 is at $0.24 compared to $0.01 in the corresponding period of the previous year.

During the six-month period ended September 30, 2019, the Company's operating cash flow before working capital items totalled $127,009,000 compared to $108,799,000 in the same period of last year. The increase is mainly attributable to EBITDA[1] margin of 52% compared to 39% in the same period of last year. This increase reflects a positive 4% volume increase combined with a selling price variation of 30%. The operating cash flow per share for the period is at $0.45 compared to $0.12 for the same period last year.

[1] EBITDA, average realized selling price, total cash cost or CI cash cost, AISC, cash operating margin, adjusted net income and adjusted earnings per share are non-IFRS financial performance measures with no standard definition under IFRS. See the "Non-IFRS Financial Performance Measures" section of this MD&A included in note 15. Adjusted net income and adjusted earnings per share attributable to shareholders excluding the financial costs related to refinancing closed on August 16, 2019.

9. Cash Flows (continued)

Financing

During the three-month period ended September 30, 2019, the Company completed the re-financing of the existing credit facilities, the repurchase of RQ's participation in QIO and the issuance of preferred shares to CDPI. The previous debt which consisted of two term loans with CDPI (US$ 100 Million) and Sprott (US$ 80 Million) has been fully reimbursed for $226,972,000. A draw down on the new term credit facility of US$180,000,000 ($239,148,000) was also completed. The new term facility with Scotiabank and Société Générale as Joint Lead Arrangers significantly reduced the Company's cost of debt from 10.0% to 4.9% and provides more flexibility with less covenants.

The repurchase of RQ's stake in QIO of 36.3% has been completed at a cost of $211,000,000. Following the transaction, the Company is no longer subject to any non-controlling interest in its flagship asset, Bloom Lake Mine. Finally, the Company issued new preferred shares to CDPI for a net product of $182,003,000 and reimbursed the Glencore convertible debenture that was part of the previous capital structure for a total cost of $31,980,000.

In the comparative prior year period, the Company's financing activities consisted mainly of drawdowns of $46,147,000 associated with the US $180,000,000 prior credit facilities and to the termination of the production payment agreement of $4,564,000 that was in relation with the Sprott credit facility. During the six-month period ended September 30, 2019, in addition to the transactions detailed previously, the Company's financing activities included previous term loan repayment done in the first quarter as well as product from options exercised in the first quarter.

In the comparative prior year period, the Company's financing activities consisted mainly of drawdowns of $74,195,000 associated with the US $180,000,000 prior credit facilities and to the termination of the production payment agreement of $4,564,000 that was in relation with the Sprott credit facility.

Investing

The Company investments relate to capital expenditures.

Purchase of property, plant and equipment

During the three-month and the six-month period ended September 30, 2019, the Company invested $52,248,000 and $78,725,000 in addition to property, plant and equipment compared to $16,619,000 and $26,487,000 respectively in the same period of the prior year. The following table summarizes the investments.

	Three Months Ended September 30,		**Six Months Ended September 30,**	
	2019	2018	**2019**	2018
(in thousands of dollars)				
Tailings lifts	**15,526**	10,630	**20,894**	11,395
Stripping activities	**2,994**	2,245	**6,263**	4,742
Mining equipment rebuild	**10,928**	—	**14,241**	—
Other sustaining capital expenditures	**—**	—	**—**	2,657
Subtotal sustaining capital expenditures	**29,448**	12,875	**41,398**	18,794
Phase II	**16,261**	—	**18,573**	—
Other capital development expenditures at Bloom Lake	**6,539**	3,744	**18,754**	7,693
Total	**52,248**	16,619	**78,725**	26,487

The Company made the prudent decision to accelerate tailings containment dam rising construction work in order to ensure safe tailings deposition. The Company also made additional investments in the mining equipment rebuild program required to increase mining equipment fleet availability and performance. The conservative decision made by the Company to bring forward the tailings investment does not modify the total amount that would have been invested on the tailings facility over the next few years, only the timing is modified.

The works related to the dikes project being mainly of a civil nature, a large part of the works is done during the summer months resulting in a higher sustaining capital expense during the current quarter.

9. Cash Flows (continued)

Purchase of property, plant and equipment (continued)

The investment in Phase II represents the works currently in progress related to the $68,000,000 approved to secure the schedule detailed in the Feasibility Study. It is mainly comprised of civil works on the silo and associated conveyors as well as of mechanical and electrical works inside the plant to secure winter works. Finally, the detailed engineering progressed as planned.

The other capital development expenditures are mainly related to Phase II Feasibility Study, infrastructure upgrades at the mine and to service equipment capacity improvements.

Exploration and evaluation

During the three-month period ended September 30, 2019, the Company invested $233,000 in addition to Exploration and evaluation compared to $1,463,000 in the same period of the prior year. The main variance is coming from the Powderhorn exploration program executed last year.

For the six-month period ended September 30, 2019, $427,000 was invested in exploration and evaluation compared to $1,852,000 in the same period of last year. The decrease is mainly related to Powderhorn exploration program executed last year.

[1] EBITDA, average realized selling price, total cash cost or CI cash cost, AISC, cash operating margin, adjusted net income and adjusted earnings per share are non-IFRS financial performance measures with no standard definition under IFRS. See the "Non-IFRS Financial Performance Measures" section of this MD&A included in note 15. Adjusted net income and adjusted earnings per share attributable to shareholders excluding the financial costs related to refinancing closed on August 16, 2019.

10. Financial Position

As at September 30, 2019, the Company held $193,753,000 in cash and cash equivalents along with $17,291,000 in short-term investments. With the existing cash balance and the forecasted cash flows from operations, the Company is well positioned to fund all its cash requirements for the next twelve months, which relate primarily to the following activities:

- Mine operating costs
- Sustaining capital expenditures
- Payment of mining and income taxes
- Phase II initial capital expenditures of $68 million

	As at September 30, 2019	As at March 31, 2019
(in thousands of dollars)		
Cash and cash equivalents	**193,753**	135,424
Short-term investment	**17,291**	17,907
Cash on hand	**211,044**	153,331
Other current assets	**149,478**	161,352
Total Current Assets	**360,522**	314,683
Property, plant and equipment	**304,168**	224,123
Exploration and evaluation assets	**75,859**	81,508
Other non-current assets	**32,608**	51,703
Total Assets	**773,157**	672,017
Total Current Liabilities	**129,535**	114,608
Long-term debt	**230,299**	193,038
Derivative financial instruments	**—**	43,819
Rehabilitation obligation	**41,983**	36,565
Other non-current liabilities	**61,462**	68,265
Total Liabilities	**463,279**	456,295
Equity attributable to equity shareholders	**309,878**	150,346
Non-controlling interests	**—**	65,376
Total Equity	**309,878**	215,722
Total Liabilities and Equity	**773,157**	672,017

The Company's total current assets as at September 30, 2019 increased by $45,839,000 since March 31, 2019. This increase resulted from operational cash flow associated with the operations at Bloom Lake offset by the repayment of the Glencore facility and repurchase of RQ's stake in QIO. The long-term assets reflect investments made towards the intensive summer works on the 2019 dikes project as well as on the mining equipment overhaul project. The Phase II preliminary works also contributed to the increase.

Total short-term liabilities increased due to higher tax payable as a result of high profit since the start of the year. Accounts payable related to the major dikes and Phase II projects also contributed to the variation. The long-term liabilities reflect the refinancing that closed on August 16, 2019 and an increase in the rehabilitation obligation further the final review and approval of the final closure costs by the government.

The increase in equity is attributable to the Company's net income of $72,515,000 for the six-month period ended September 30, 2019. It also includes the impact of the new preferred shares issued to CDPI and the new warrants issued to Glencore following the debenture repayment. The increase in equity is partially offset by the difference between the amount paid ($211,000,000) for the repurchase of RQ's shares in QIO and the balance of NCI ($97,000,000) at the transaction date (August 16, 2019).

(Expressed in Canadian dollars, except where otherwise indicated)

11. Financial Risk Factors

The Company's risk exposure and impact on the Company's financial instruments are summarized in note 14 of the audited consolidated financial statements for the year ended March 31, 2019 available on the Company's website at www.championiron.com.

12. Commitments

The Company has various obligations related to take-or-pay features of its logistics contracts. The Company has also other commitments with the Innu community related to its IBA with the First Nations. Future minimum payments under these agreements are as follows:

	As at September 30, 2019
Less than a year	**105,328**
1 to 5 years	**76,340**
More than 5 years	**181,913**
Total	**363,581**

13. Critical Accounting Estimates and Judgments

The Company's significant accounting judgments, estimates and assumptions are summarized in note 2 of the consolidated financial statements for the year ended March 31, 2019.

14. New Accounting Standards Issued and Adopted by the Company

The new accounting standards issued and adopted by the Company are disclosed in note 2 to the condensed interim consolidated financial statements for the three-month period ended September 30, 2019.

15. Non-IFRS Financial Performance Measures

The Company has included certain non-IFRS measures in this document. The Company believes that these measures, in addition to conventional measures prepared in accordance with IFRS, provide investors an improved ability to evaluate the underlying performance of the Company. The non-IFRS measures are intended to provide additional information and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with IFRS. These measures do not have any standardized meaning prescribed under IFRS, and therefore may not be comparable to other issuers.

A. Total Cash Cost

Total cash costs or C1 cost is a common financial performance measure in the iron ore mining industry but with no standard meaning under IFRS. Champion reports total cash costs on a sales basis. The Company believes that, in addition to conventional measures prepared in accordance with IFRS, such as sales, certain investors use this information to evaluate the Company's performance and ability to generate operating earnings and cash flow from its mining operations. This measure also enables investors to better understand the performance of the Company's iron ore operations in comparison to other iron ore producers who present results on a similar basis. Management uses this metric as an important tool to monitor operating cost performance. Total cash costs include production costs such as mining, processing, and site administration, and exclude depreciation to arrive at total cash costs per dmt sold. Other companies may calculate this measure differently.

15. Non-IFRS Financial Performance Measures (continued)

A. Total Cash Cost (continued)

	Three Months Ended September 30,		Six Months Ended September 30,	
	2019	2018	**2019**	2018
Per tonne sold				
Iron ore concentrate sold (dmt)	**1,860,400**	1,931,700	**3,767,100**	3,672,100
(in thousands of dollars except per tonne)				
Cost of sales	**89,921**	87,265	**193,528**	183,033
Total cash cost (per dmt sold)	**48.3**	45.2	**51.4**	49.8

B. All-In Sustaining Cost ("AISC")

The Company believes that AISC defines the total costs associated with producing iron ore concentrate more accurately as this measure reflects all the sustaining expenditures incurred in order to produce high-grade iron ore concentrate. The Company calculates AISC as the sum of total cash costs (as described above), general and administrative expense and sustaining capital, including deferred stripping, divided by the iron ore concentrate dmt sold to arrive at a per dmt figure. Other companies may calculate this measure differently as a result of differences in underlying principles and policies applied. Differences may also arise due to a different definition of sustaining versus non-sustaining capital. The sustaining capital included in the AISC calculation excludes development capital expenditures such as capacity increase projects and studies for future expansion projects.

As this measure intends to represent the cost of selling iron ore concentrate from current operations, it does not include capital expenditures attributable to development projects or mine expansions including economic evaluations for such projects, non-cash share-based payments, exploration expenses that are not sustainable in nature, income tax expense, working capital defined as current assets less current liabilities (except for inventory adjustments) or interest costs.

The table below shows a reconciliation of AISC per tonne to costs as extracted from the consolidated financial statements:

	Three Months Ended September 30,		Six Months Ended September 30,	
	2019	2018	**2019**	2018
Per tonne sold				
Iron ore concentrate sold (dmt)	**1,860,400**	1,931,700	**3,767,100**	3,672,100
(in thousands of dollars except per tonne)				
Cost of sales	**89,921**	87,265	**193,528**	183,033
Sustaining capital expenditure	**29,448**	12,875	**41,398**	18,794
General and administrative expenses	**3,713**	1,926	**7,899**	4,506
	123,082	102,066	**242,825**	206,333
AISC (per dmt sold)	**66.2**	52.9	**64.5**	56.1

The works related to the dikes project being mainly of a civil nature, a large part of the works is done during the summer months resulting in a higher sustaining capital expense during the current quarter.

15. Non-IFRS Financial Performance Measures (continued)

C. Average Realized Selling Price and Cash Operating Margin

Average realized price and cash operating margin per dmt sold are used by management to better understand the iron ore concentrate price and margin realized throughout a period. Average realized price is calculated as metal sales per the statement of comprehensive earnings. Cash operating margin represents average realized price per iron ore concentrate dmt sold less AISC per dmt sold.

	Three Months Ended September 30,		Six Months Ended September 30,	
	2019	2018	**2019**	2018
Per tonne sold				
Iron ore concentrate sold (dmt)	**1,860,400**	1,931,700	**3,767,100**	3,672,100
(in thousands of dollars except per tonne)				
Revenues	**160,370**	174,678	**438,284**	325,419
Average realized selling price (per dmt sold)	**86.2**	90.4	**116.3**	88.6
AISC (per dmt sold)	**66.2**	52.9	**64.5**	56.1
Cash operating margin (per dmt sold)	**20.0**	37.5	**51.8**	32.5

D. EBITDA

The following table sets forth the calculation of EBITDA, a non-IFRS measure which the Company believes to be relevant to assess the Company's ability to generate liquidity by producing operating cash flow to fund working capital needs, service debt obligation and fund capital expenditures.

EBITDA is intended to provide additional information to investors and does not have any standardized definition under IFRS. The measure excludes the impact of cash costs of financing activities, taxes and the change in non-cash working capital and is not necessarily indicative of operating profit or cash flow from operations as determined under IFRS. Other companies may calculate EBITDA differently.

	Three Months Ended September 30,		Six Months Ended September 30,	
	2019	2018	**2019**	2018
(in thousands of dollars)				
Income before income and mining taxes	**11,449**	70,131	**145,719**	96,409
Net finance costs	**46,433**	7,106	**75,485**	21,345
Depreciation	**4,693**	4,084	**8,307**	8,509
EBITDA	**62,575**	81,321	**229,511**	126,263
EBITDA margin	**39%**	47%	**52%**	39%

(Expressed in Canadian dollars, except where otherwise indicated)

15. Non-IFRS Financial Performance Measures (continued)

E. Adjusted Net Income and Adjusted EPS

The refinancing of the Sprott and CDPI credit facilities resulted in non-cash financing costs associated with derivative instruments that were embedded in the original facilities. The Management believe that by excluding the non-recurring non-cash transactions, it provides a better information to appreciate the quarterly results related to recurring business. By excluding these items, the Company would have generated an adjusted net income of $49,915,000 of an adjusted EPS of $0.11 for the second quarter. Similarly, the net income for the six-month period that ended September 30, 2019 that is at S72,515,000 would have been at $124,156,000. Accordingly, the EPS would have been adjusted to $0.20.

	Three Months Ended September 30, 2019		Six Months Ended September 30, 2019	
	Net Income	**Earnings per share**	**Net Income**	**Earnings per share**
Unadjusted	**(1,726)**	—	**72,515**	0.09
Non-cash items				
Write-off - book value of Debenture	**18,837**	0.04	**18,837**	0.04
Write-off - book value of CDPI debt facility	**15,976**	0.04	**15,976**	0.04
Write-off - book value of Sprott debt facility	**5,966**	0.01	**5,966**	0.01
Write-off - Glencore derivative asset	**1,336**	—	**1,336**	—
Write-off - CDPI derivative asset	**5,603**	0.01	**5,603**	0.01
Write-off - Sprott derivative asset	**5,768**	0.01	**5,768**	0.01
	53,486	0.11	**53,486**	0.11
Cash items				
Debt prepayment penalty fees	**3,788**	0.01	**3,788**	0.01
	3,788	0.01	**3,788**	0.01
Taxes impact of adjustments above	**(5,633)**	(0.01)	**(5,633)**	(0.01)
Adjusted	**49,915**	0.11	**124,156**	0.20

16. Share Capital Information

The Company's authorized share capital is unlimited ordinary shares without par value. As of October 29, 2019, there are 435,179,122 ordinary shares outstanding. In addition, there are 28,410,829 ordinary shares issuable on the exercise of options, restricted share units and performance share units. In addition, 49,023,958 shares are issuable from derivative instruments with dilutive impact.

17. Summary of Quarterly Results

The following information is derived from and should be read in conjunction with the unaudited condensed interim consolidated financial statements for each of the past eight quarters. The Company's fiscal year ends on March 31. All amounts are stated in millions of dollars except for the earnings (loss) per share.

	Q2 2020	Q1 2020	Q4 2019	Q3 2019	Q2 2019	Q1 2019	Q4 2018	Q3 2018
Financial Results ($ millions)								
Revenue	160.4	277.9	182.2	147.5	174.7	150.7	—	—
Operating profit (loss)	57.9	163.3	83.1	62.8	77.2	40.5	(21.8)	(39.5)
EBITDA[1]	62.6	166.9	86.5	65.4	81.3	45.0	(20.9)	(38.4)
Net profit (loss)	(1.7)	74.2	28.2	31.2	67.5	20.7	(30.9)	(54.1)
Adjusted Net profit (loss)[1]	49.9	74.2	28.2	31.2	67.5	20.7	(30.9)	(54.1)
Net profit (loss) attributable to shareholders	2.1	38.8	8.8	21.7	41.5	11.0	(21.9)	(37.3)
Earnings (loss) per share - basic	0.00	0.09	0.02	0.05	0.10	0.03	(0.05)	(0.09)
Earnings (loss) per share - diluted	0.00	0.08	0.02	0.05	0.09	0.02	(0.05)	(0.09)
Adjusted Earnings (loss) per share - basic	0.11	0.09	0.02	0.05	0.10	0.03	(0.05)	(0.09)
Cash flow from operations	104.9	91.9	38.0	89.1	2.9	46.7	(42.8)	(72.6)
Operating Data								
Waste mined (thousands of wmt)	3,572	3,581	3,482	3,847	2,978	3,373	2,281	1,973
Ore mined (thousands of wmt)	5,394	5,105	4,976	4,883	5,205	4,648	2,159	575
Strip ratio	0.7	0.7	0.7	0.8	0.6	0.7	1.1	3.4
Ore milled (thousands of wmt)	5,451	4,780	4,754	4,531	4,964	4,244	1,754	—
Head grade (%)	32.3	32.5	30.6	32.1	32.0	31.1	29.0	—
Recovery (%)	83.9	82.1	80.4	80.7	79.6	77.1	76.3	—
% Fe	66.3	66.2	66.3	66.4	66.6	66.5	66.5	—
Iron ore concentrate produced (thousand wmt)	2,190	1,989	1,802	1,791	1,858	1,543	623	—
Iron ore concentrate sold (thousands of dmt)	1,860	1,907	1,744	1,712	1,932	1,740	—	—
Financial results per unit								
Average realized selling price[1]	86.2	145.7	104.4	86.2	90.4	86.6	—	—
Total cash cost[1]	48.3	54.3	48.4	49.4	45.2	55.0	—	—
All-in sustaining cost[1]	66.2	62.8	55.4	55.5	52.9	59.9	—	—
Cash operating margin[1]	20.0	82.9	49.0	30.7	37.5	26.7	—	—

[1] EBITDA, average realized selling price, total cash cost or CI cash cost, AISC, cash operating margin, adjusted net income and adjusted earnings per share are non-IFRS financial performance measures with no standard definition under IFRS. See the "Non-IFRS Financial Performance Measures" section of this MD&A included in note 15. Adjusted net income and adjusted earnings per share attributable to shareholders excluding the financial costs related to refinancing closed on August 16, 2019.

18. Risk Factors

Champion is subject to several risks and uncertainties which could have a material adverse impact on its operations, its financial condition and the trading price of its shares. This section presents information about the Company's exposure to each of the described risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital.

The Board of Directors oversees management's establishment and execution of the Company's risk management framework. Management has implemented and monitors compliance with risk management policies. The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to market conditions and the Company's activities.

Please refer to the 2019 annual information form available on SEDAR at www.sedar.com and on its website at www.championiron.com to see the principal risk factors that apply to the Company and that may have a material adverse effect on its financial condition and results of operations, or the trading price of the Company's Common Shares.

19. Management Responsibility for Financial Statements

Disclosure Controls and Procedures

The Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO") have designed disclosure controls and procedures ("DC&P"), or caused to be designed under their supervision to provide reasonable assurance that:

i) Material information relating to the Company is made known to Management by others, particularly during the period in which the annual filings are being prepared; and

ii) Information required to be disclosed by the Company in our annual filings, interim filings or other reports filed or submitted by the Company under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation.

Internal Control over Financial Reporting

The CEO and CFO are also responsible for establishing and maintaining adequate internal controls over financial reporting ("ICFR") to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS.

There have been no changes in our ICFR that occurred during the period beginning on July 1, 2019 and ended on September 30, 2019 which have materially affected or are reasonably likely to materially affect the Company's ICFR.

Limitations of DC&P and ICFR

All internal control systems have inherent limitations and may become ineffective because of changes in conditions. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to the financial statement preparation and presentation.

20. Approval

The Board of Directors oversees management's responsibility for financial reporting and internal control systems through an Audit Committee. This Committee meets quarterly with management and quarterly with the Company's independent auditors to review the scope and results of the annual audit and quarterly reviews, respectively, and to review the financial statements and related financial reporting and internal control matters before the financial statements are approved by the Board of Directors and submitted to the shareholders. The Board of Directors has approved the Financial Statements and the disclosure contained in this MD&A as of October 29, 2019. A copy of this MD&A will be provided to anyone who requests it.

21. Nature of Securities

The purchase of the Company's securities involves a high degree of risk and should be undertaken only by investors whose financial resources are sufficient to enable them to assume such risks. The Company's securities should not be purchased by persons who cannot afford the possibility of the loss of their entire investment. Furthermore, an investment in the Company's securities should not constitute a major portion of an investor's portfolio.

22. Additional Information

Additional information related to the Company is available for viewing under the Company's filings on SEDAR at www.sedar.com and at the Company's website at www.championiron.com.

23. Cautionary Note Regarding Forward-Looking Statements

This MD&A contains certain information and statements, which may be deemed "forward-looking statements" within the meaning of applicable securities laws (collectively referred to herein as "forward-looking statements"). All statements in this MD&A, other than statements of historical fact, that address future events, developments or performance that Champion expects to occur including management's expectations regarding (i) the recovery rates; (ii) the Company's growth; (iii) the Company's operational improvement; (iv) the potential expansion of the operations at Champion's flagship asset the Bloom Lake mine; (v) the estimated future operation capacity of the Bloom Lake Mine; (vi) the completion of the construction for a potential expansion of the Bloom Lake Mine; (vii) the potential job creation related to the Bloom Lake Mine; (viii) the fluctuations of the ocean freight costs in connection with the fluctuations of the iron ore price; (ix) the impact of exchange rate fluctuations; and (x) the impact of iron ore concentrate price fluctuation are forward-looking statements. Forward-looking statements are statements that are not historical facts and are generally, but not always, identified by the use of words such as "plans", "expects", "is expected", "budget", "scheduled", "estimates", "continues", "forecasts", "projects", "predicts", "intends", "anticipates", "aims" "targets", or "believes", or variations of, or the negatives of, such words and phrases or state that certain actions, events or results "may", "could", "would", "should", "might" or "will" be taken, occur or be achieved including, without limitation, the results of the feasibility study with regards to the potential expansion of the Bloom Lake Mine. Although Champion believes the expectations expected in such forward-looking statements are based on reasonable assumptions, such forward-looking statements involve known and unknown risks, uncertainties and other factors, most of which are beyond the control of the Company, which may cause the Company's actual results, performance or achievements to differ materially from those expressed or implied by such forward-looking statements. Factors that could cause the actual results to differ materially from those in forward-looking statements include, without limitation: the results of feasibility studies; project delays; continued availability of capital and financing and general economic, market or business conditions; general economic, competitive, political and social uncertainties; future prices of iron ore; failure of plant, equipment or processes to operate as anticipated; delays in obtaining governmental approvals, necessary permitting or in the completion of development or construction activities, as well as those factors discussed in the section entitled "Risk Factors" of the Company's 2019 Annual Information Form and the risks discussed in the Company's MD&A for the year ended March 31, 2019, both available on SEDAR at www.sedar.com.

The forward-looking statements in this MD&A are based on assumptions management believes to be reasonable and speak only as of the date of this MD&A or as of the date or dates specified in such statements. Champion cautions that the foregoing list of risks and uncertainties is not exhaustive. Investors and others should carefully consider the above factors as well as the uncertainties they represent and the risk they entail. Inherent in forward-looking statements are risks, uncertainties and other factors beyond the Company's ability to predict or control.

The forward-looking statements contained herein are made as of the date hereof, or such other date or dates specified in such statements. Champion Iron undertakes no obligation to update publicly or otherwise revise any forward-looking statements contained herein whether as a result of new information or future events or otherwise, except as may be required by law. If the Company does update one or more forward-looking statements, no inference should be drawn that it will make additional updates with respect to those or other forward-looking statements.